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## **Heating Oil Prices Decline Further in Heating 'Off-Season'**

Augusta, Maine – The Governor's Energy Office (GEO) conducted its weekly heating fuel price survey on Monday, June 29, 2015, and found the current statewide average cash price for No. 2 heating oil was **\$2.45 per gallon**, down 5 cents from a month ago. Average kerosene and propane prices have also declined; the average statewide kerosene price this week was \$3.00 per gallon (two cents lower), and the average statewide propane price for heating customers was \$2.42, a full ten cents less than a month ago.

Crude oil prices have been hovering between \$58 (WTI) and \$63 (Brent) per barrel, which is approximately \$13-18 per barrel higher than the historic low prices seen in January. However, despite this partial rebound in crude oil prices, heating fuel prices have continued declining since the end of the heating season. The price declines observed may be due to much lower demand in the off-season. Should consumers expect further price declines during the summer? For several reasons, that is difficult to predict, but what is certain is the current status of global oil supplies. Global crude oil production continues to increase. According to the International Energy Agency, global oil supplies have exceeded demand for the last five quarters, making this supply 'glut' the longest since the 1997 Asian economic crisis <http://www.bloomberg.com/news/articles/2015-06-28/oil-speculators-least-bullish-in-10-weeks-as-iran-talks-resume>. If OPEC members pump at current rates in the third quarter, it would become the longest surplus since at least 1985.

U.S. oil production is also up as well; last week's production was close to 9.61 million barrels a day. According to the U.S. Energy Information Administration (EIA), this production level is the fastest pace since January 1983. So, despite predictions that U.S. production would drop off significantly, that has not happened. American oil companies are continuing to pump out oil. Global production continues at high levels, which is likely to keep downward pressure on prices, at least over the short term.

Using this week's average heating oil price (\$2.45), and converting to a common heating unit value (million Btu), the price of fuel oil is \$17.67. This compares with an equivalent heating unit value for natural gas of \$13.58 (at \$1.358/therm); propane, \$26.50 (at \$2.42/gallon); kerosene \$22.22 (at \$3.00/gallon); wood pellets, \$15.33 (at \$253/ton); cord wood, \$12.95 (at \$285/cord) and electricity, \$43.96 (at 15 cents per kwh).

These fuel-only prices do not take into account the type of heating system, nor its efficiency. For example, the electricity cost is for traditional baseboard heat. Other electric heating technologies, such as heat pumps and electric thermal storage (ETS), may offer consumers energy savings. Cold climate heat pumps, a recent technological advancement, are much more

efficient than baseboard electric heat, so total energy costs are lower than many other types of heating fuels. ETS offers savings by utilizing off-peak electric rates, available in many areas of the state.

The Energy Office has a calculator on its web site that allows consumers to obtain more detailed estimates of home heating costs, and the price impacts of various types of fuel, heating systems and heating appliances. Heating costs vary considerably from home to home. The home heating calculator can assist homeowners in finding the best heating option for their home, location, lifestyle, and budget <http://www.maine.gov/energy/index.html>.

*As of July 1, 2015*

Heating Oil	Statewide	Southwest	Central	Eastern	Western	Northern
Average	2.45	2.39	2.48	2.50	2.39	2.63
High	2.80	2.69	2.65	2.80	2.70	2.65
Low	2.10	2.10	2.20	2.14	2.10	2.55
Kerosene	3.00	3.06	2.97	2.97	2.97	3.03
Propane	2.42	2.42	2.33	2.42	2.47	2.49

It is important to note that the price for heating oil is a statewide average, and that prices in a given geographic region of the state may be considerably higher or lower than this average. This week, within the Energy Office sample, the highest heating oil price (\$2.80) was found in one region in the state, and the lowest heating oil price (\$2.10) was recorded in two regions. Also, the statewide average price for propane is ***based on a use of at least 900 gallons a year***. Households using propane just for cooking or hot water generally pay a higher per gallon price. The table above provides current Maine cash prices in dollars rounded to the nearest penny.